

C2C - the next chapter

Hi, I'm Jeff LeBlanc, the owner of Jeff LeBlanc Home Inspection Services. Most of you know us by the name Cottage to Castle. I have some very sad and frustrating news to share with you today.

As of September 22, 2022, Cottage to Castle will no longer perform residential home inspections for buyers of real estate in New Brunswick.

I never thought I would say those words. Not in a million years but this is where we find ourselves. Let me explain how and why this happened and what the future holds for us.

I will start with a bit of history.

I was a licensed realtor in Moncton from 2005-2013, involved in over 400 real estate transactions. I gained a high level of experience with home inspectors over these 8 years. I saw an opportunity to improve the home inspection industry and I went for it. In 2014, I went out on my own and started my first company.

Jeff LeBlanc Home Inspection Services opened for business on July 22, 2014. We were very fortunate to have had an amazing first year. We had to turn away so much business in our first year that we hired our first employee in 2015 and Doug is still by my side today. I won't bore you with a lot more details, but we continued to grow and expand our team with Doug and I training the new recruits to be amazing inspectors. I'm so happy to have been in business with some truly incredible people over the last 8 years. You know who you are. I want to thank each and every one of you who had the faith in me and our team to come on board and give our clients the best experience possible.

Over the last 8 years we have enjoyed amazing growth, right up to April 2020 when COVID unfortunately forced us to lay off almost all of our staff until the market rebounded later in 2020. We did our best to keep up with the demand by hiring and training additional inspectors and started offering our services in Fredericton and Saint John in addition to our Moncton team. The COVID boom was too hot for our local market and, by Fall 2021, buyers started removing inspection conditions from their offers in order to be more competitive. You will hear a lot of negative talk about this in our industry. Having been a realtor, I know that I would be giving my buyers the same advice after they offered on multiple homes without being selected because they had an inspection clause in their agreement. I agree that it is not a good decision however, it is a better decision in this situation as the alternative is not getting a house at all. It is an unfortunate

circumstance, but one that has been a reality in our city since late 2021 and one that is being felt from the East Coast to the West Coast of our country.

Our team of inspectors shrank due to this decrease in demand for our services. We had some really great inspectors leave our industry due to this shift in demand. This will create a void when the market changes and inspections become the “norm” once again, which will be the inevitable path in the coming years. There will be a shortage of experienced home inspectors due to the business volatility. This is an industry-wide issue, but not the matter at hand.

Having said all of the above, C2C did survive the COVID rollercoaster, albeit with 2.5 inspectors in the field, down from 8 in 2021.

Cottage to Castle inspectors have performed approximately 8,500 inspections since 2014. That means that **we have helped close to 8,000 clients with their home purchase decision**. I am proud to say that Cottage to Castle made a huge impact on the inspection industry in our area; providing improved customer service experience, working with all parties of the transaction in a helpful manner, top-notch communication, providing information-packed training sessions for local Realtors and creating one of the most detailed home inspection reports available. We are unable to quantify our size as most home inspection companies are one-man operators, with a large percentage being franchisees. It is, however, safe to say we are one of the largest home inspection companies in Canada, as per our insurer. We are one of the most third-party reviewed home inspection companies in Canada as well with over 700 reviews on Google and over 300 on Facebook.

I know what your question is after reading all of the above...

Why are we no longer able to perform home inspections?

Insurance.

That is a one-word answer that deserves a much more detailed explanation, and I will share what I can with you.

In 2014, when I started my home inspection company, I did what all new private, non-franchise inspection company owners do - we turned to social media and asked other inspectors who they used as a professional insurance carrier. We made calls and got quotes like any well-educated businessperson would do.

During this process, I was surprised to discover that I could only find one insurance carrier in Canada that provided home inspection insurance. After

attempting to find home inspector insurance through multiple other local insurance brokers, I came to the realization that there appears to be only one real provider of insurance to the home inspection industry in Canada.

I have attempted to find local coverage multiple times over the last 8 years, as I prefer to deal with local businesses. I have filled out application forms with other insurance brokers/carriers to be told every time that they do not offer the specific insurance required for the home inspection field.

Since July 2014, we have been insured through a national Canadian-based insurance broker through the same carrier.

Our insurance experience.

We have performed 8,450 Inspections between 2014 and Sept 10th, 2022. Our insurer gets annual updates from us on the size of our business prior to each renewal.

We will not talk about specifics of our past claims here but we can say that out of 8,450 inspections we have only contacted our insurer on a small number of cases. Just over 0.1%

We *can* tell you that, after every claim, we dive into each situation and make changes to all areas of our business to improve the client experience and to reduce our exposure moving forward.

In the Spring of 2022, when being advised to settle a nuisance claim we had experienced, I asked the question to my claims adjuster; "How will this affect my renewal rate?"

Their response was that they could not answer those questions and that I should call my broker NOW!

I called my broker immediately, who informed me that the insurer had made changes to their operations as it relates to home inspectors and that if they had paid out more than 15% of premiums collected in the last 5 years, they will not offer insurance renewals. I was informed that there were very few claims in 2020 and 2021 due to the COVID-related backlogs and, now that these backlogged cases are coming through, the insurer is incurring increased costs.

I was taken aback by the words that I heard. I had no idea that this was even a possibility as every year on renewal, there was very little increase in our premiums, unless we added an inspector and we have never had a discussion

about claims vs premiums. I had a company of 9 employees at the time and it appeared that there was no solution.

I immediately talked to a local commercial insurance broker and asked him to find me insurance somewhere else. He attempted to get us insurance with 3 other companies but was unsuccessful. Our broker in Toronto also attempted other markets but she was also unable to find home inspection insurance for our company because of our claims history.

Based on the non-renewal of our insurance, I must “retire” from the home inspection industry so that I can maintain insurance coverage for the work that we have done in the past. I am also having to purchase additional insurance to cover us in the future for work that was already completed.

My broker is under enormous stress as I have been told that they are having these same conversations with other Canadian inspectors as well. I do not fault them for doing their job. They are in a very uncomfortable situation as they are the insurance contact person for many Canadian home inspectors.

Every year I renewed our information and kept them up to date on how much business we completed and what our forecast was for the following year. I never once attempted to negotiate their rate, nor did I ever ask for a discount.

These changes are forcing me to close an extremely viable and longstanding business operation that I have invested my personal time and money into. This, as you can imagine, has caused considerable stress to myself, my family, and all of our employees and their families.

I am afraid for the future of the home inspection industry as it appears that if an insurer settles one nuisance claim that could be enough to force a non-renewal. From our experience, a nuisance claim can lead to an insurance payout of \$10,000.

I felt protected and safe as I had appropriate insurance. I question as to whether I have been treated in good faith.

As a business owner, I am responsible to control my costs and make sure they are in-line with the revenues being charged. If my model was not correct, I would make changes to correct the model, including charging more for my services.

I am hearing from some Canadian home inspectors, that their insurer has drastically increased their premiums this year. They appear to be increasing rates for some while others get no option to continue.

I am not retiring; I am not able to retire, nor do I want to retire. I am only retiring from home inspections because I am forced to.

My wife and I invested our family's personal capital as well as 8 years of hard work and the stress that comes with owning a small business, especially during COVID times.

It will be a long time before we can recover from this loss, but we have made financial commitments, including governmental COVID loans and bank operating lines of credit, that we will be honouring as we shift our services and focus on other opportunities for business.

We want to thank each and every one of our realtor friends and our past clients for all of their support over the years. You are the reason that we do what we do every day and that will not change moving forward. Thank you. We look forward to helping you in other areas in the near future.

If you are a Canadian Home Inspector that has been affected the same way we have been, please reach out to me directly at jeff@cottagetocastle.ca

If you are a politician who wants to effect positive change, feel free to contact me at jeff@cottagetocastle.ca

I have suggestions and advice on how to fix the situation that Canadian homeowners are about to find themselves in. Namely, the inability to find a qualified home inspector in their area as they purchase their next home. This, combined with homebuyers being forced to purchase homes without the ability to perform a home inspection in hot markets, is putting Canadian home buyers at an unfair disadvantage. Please do something for the Canadian home inspectors that are still standing and for all of the future Canadian home buyers who deserve to have trust in their property transactions.

Move the inspection to where it should be, up front as a disclosure.

The home inspection is in the wrong place in the real estate transaction. It is normally completed by the buyer at the 11th hour, causing stress to the inspector, seller, buyer and the realtor.

The buyer doesn't have the capacity to take in all the information that is getting delivered at a home inspection as they are on a tight deadline with lots of stress. There is an unrealistic expectation from the public who does not understand the limitations of a home inspection.

A new way to do things

Every seller of real estate should be mandated to have a third-party company inspect the home and deliver a report on the condition of the home on that day. This report should be made available to all prospective buyers.

In this situation the home inspector's client is the seller, the buyer is not the client. Claims between buyers and sellers would decrease as the home would be fully disclosed. Claims against home inspectors would decrease as well, as the seller is now the inspector's client.

Stress decreases for all parties as the buyer knows what they are getting into up front, the seller does not have to go through a second round of negotiations and all parties will enjoy a smoother transaction.

There are always opportunities for claims but, it is my firm belief that the above would repair the situation we are finding ourselves in and drastically reduce litigation in the real estate industry.

Insurers would not have to make these decisions that negatively affect their clientele, like me. I am sure they would rather collect from me for years to come if the risk of litigation in the current system was drastically reduced.

Unfortunately, it is too late to save Cottage to Castle Home Inspection Services. Hopefully, these words will spur others into action and force a fix for this situation for the remaining Canadian home inspectors and the Canadian real estate buyers that they educate and protect.

Thank you for reading this article.
Jeff